

## **TREASURY - GENERAL**

### **STATE INVESTMENT COUNCIL**

#### **International Government and Agency Obligations**

#### **Proposed Amendments: N.J.A.C. 17:16-20.1 and 20.2**

Authorized By: State Investment Council, William G. Clark, Director,  
Division of Investment

Authority: N.J.S.A. 52:18A-91

Calendar Reference: See Summary below for explanation of exception to calendar  
requirement.

Proposal Number: PRN 2005-235

Submit written comments by August 19, 2005 to:

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The agency proposal follows:

#### **Summary**

The proposed amendments are intended to clarify which funds may invest in international government and agency obligations and the limitations on such investments. The intent is to conform the language of the subchapter with the language of other subchapters governing investments.

The Council is proposing to amend N.J.A.C. 17:16-20.1(a) to specifically state that the moneys of Common Pension Fund A, a fund created for the purpose of investing in corporate common stocks or securities convertible into such stock (see N.J.A.C. 17:16-62.2), are not eligible to be invested in international government and agency obligations.

The Council is proposing to amend paragraphs 1 and 3 of N.J.A.C. 17:16-20.1(a) to clarify that moneys may only be invested in obligations of sovereign governments that are on the "Approved List of International Governments" approved by the Council

pursuant to N.J.A.C. 17:16-20.1(b) and obligations of agencies of such approved sovereign governments.

The Council is proposing to amend paragraph 4 of N.J.A.C. 17:16-20.1(a) to clarify that moneys may only be invested in obligations of international agencies which are directly backed by the collective credit of more than one country.

The Council is proposing to amend N.J.A.C. 17:16-20.2(a) to exempt Common Pension Funds B and D from the restriction against investing more than one percent of a fund's assets in any one government's obligations. The Division has found this limitation to unnecessarily restrict its flexibility in investing common fund assets in international government and agency obligations. The proposed amendment would conform the section to N.J.A.C. 17:16-44.3(a), which imposes a one percent limitation on the purchase of common and preferred stock of any one international corporation, but does not apply this limit to Common Pension Fund D.

Because the Division is providing a 60-day comment period for this notice of proposal, this notice is excepted from the rulemaking calendar requirement pursuant to N.J.A.C. 1:30-3.3(a)5.

#### **Social Impact**

There will be no social impact from the proposed amendments.

#### **Economic Impact**

There will be a positive impact from the proposed amendments on participants in those pension and annuity funds eligible to invest in Common Pension Funds B and D, by allowing the Division more flexibility in investing common fund assets in international government and agency obligations. The exclusion of Common Pension Fund A from the list of funds eligible to invest in international government and agency obligations will have no economic impact on participants in those pension and annuity funds eligible to invest in Common Pension Fund A, because the purpose of Common Pension Fund A is to invest in corporate common stock and securities convertible into such stock, not to invest in international government and agency obligations.

### **Federal Standards Statement**

A Federal standards analysis is not required because the investment policy rules of the State Investment Council are not subject to any Federal requirements or standards.

### **Jobs Impact**

The State Investment Council and the Division of Investment do not anticipate that any jobs will be generated or lost by virtue of the proposed amendments.

### **Agriculture Industry Impact**

The proposed amendments will have no impact on the agriculture industry.

### **Regulatory Flexibility Statement**

A regulatory flexibility analysis is not required, since the proposed amendments impose no requirements on small businesses as the term is defined in the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq., but regulate only the Director of the Division of Investment.

### **Smart Growth Impact**

The proposed amendments are not anticipated to have an impact on the achievement of smart growth and implementation of the State Development and Redevelopment Plan.

### **Text of Changes**

**Full text** of the proposal follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

#### 17:16-20.1 Permissible investments

(a) Subject to the limitations contained in this subchapter, the Director may invest and reinvest the moneys of any pension and annuity group fund except the Consolidated Police and Firemen's Pension Fund **and Common Pension Fund A**, in:

1. Direct obligations of **approved** sovereign governments;
2. (No change.)
3. Obligations of [the sovereign's] agencies **of an approved sovereign government** which are unconditionally guaranteed as to principal and interest by the sovereign[s] **government's** full faith and credit;
4. Obligations of international agencies which are directly backed by the collective credit of [regional] **multiple** countries; and
5. (No change.)

(b) (No change.)

#### 17:16-20.2 Limitations

(a) Not more than one percent of the assets of any pension and annuity group fund shall be invested in any one issuer of obligations under this subchapter, whether direct or guaranteed. **The one percent limitation shall not apply to Common Pension Funds B and D.**

(b) – (c) (No change.)